

ACCOUNTING

Time allowed – 1½ hours

Total marks – 100

[N.B. – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the way in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

- | | Marks |
|---|-------|
| 1. "Financial statements are required to give a true and fair view of the financial results of the entity"- Explain in the light of BFRS. | 5 |
| 2. Mr. X brought Tk.20,000 as capital. He purchased a market stall from Mr. Y for Tk.12,000. He also purchased some flowers from a trader in wholesale market at a cost of Tk.8,500 of which Tk.1,500 on credit. This leaves Tk.1,000 in cash, after paying for the stall and goods for resale, X keeps Tk.750 in the bank and keeps Tk.250 in small change. He is now ready for his first day of market trading on 1 July 2009.

Prepare opening balance sheet of Mr. X as on 1 July 2009 and determine capital and liabilities. | 5 |
| 3. According to BFRS framework who are the users of accounting information and what are their needs? | 5 |
| 4. Why it is important to distinct income and expenditure into capital and revenue? State which of the following items are capital expenditure and why?
(a) Purchase of machinery
(b) Depreciation of building
(c) Repairs of computer
(d) Extension of office building
(e) Custom duty paid on machinery when imported. | 5 |
| 5. What is the meaning of following terms as per BAS Framework?
a. Prudence
b. Substance over form. | 5 |
| 6. Recorded in the sales day book and the purchases day book of a business are the following transactions:
i) The business sells goods on credit to Mr. P for Tk.2,00,000
ii) The business buys goods on credit from Q Ltd. for Tk.4,00,000

How and where are these transactions posted in the ledger accounts from the books of original entry? | 5 |
| 7. At 31 March 2010, the balance in K. Rahman & Co's cash book was Tk.52,500 debit. A bank statement on 31 March 2010 showed K. Rahman & Co. to be in credit at the bank by Tk.1,12,700. On investigation of the difference, it was established that:
i) The cash book had been overcast by Tk.1,500 on the debit side.
ii) Cheques paid in but not yet credited by the bank were Tk.3,300.
iii) Cheques drawn not yet presented to the bank were Tk.65,000.

Prepare a statement reconciling the balance per the bank statement to the balance per the cash book. | 5 |

[Please turn over]

8. a) Define Going concern as per BAS 1. 3
b) A retailer commence business on 1 January and buys 20 washing machines, costing Tk.10,000. During the year he sells 18 machines at Tk.15,000 each. How should the remaining machines be valued at 31 December in the following circumstances? 5
i) He is forced to close down his business at the end of the year and the remaining machines will realize only Tk.6,000 each in a forced sale.
ii) He intends to continue his business into the next year.

9. How inventories are measured as per BAS 2? Explain the concept of Net Realizable value (NRV). 5

10. ST Manufactures Limited, a Textile equipment manufacturing company for retail industry. The inventory of ST currently valued at cost. There is a market for the part completed product at each stage of production. The cost structure of the equipment is as follows:

	Cost per unit Taka	Selling price Per unit Taka
Production Process – 1st stage	100,000	105,000
Conversion costs – 2nd stage	<u>50,000</u>	
Finished product	<u>150,000</u>	170,000

The selling costs are Tk.1,000 per unit and ST has 100,000 units at the first stage of production and 200,000 units of the finished product at 31 May 2010. Shortly before the year end, a competitor released a new model onto the market which caused the equipment manufactured by St to become less attractive to customers. The result was a reduction in the selling price to 145,000 of the finished product and 95,000 for 1st stage product.

Determine the value of closing stocks to be recorded in the ST's books of accounts. 5

11. Explain "Changes in Accounting Estimates" according to BAS-8 with examples. 5

12. Write a memorandum to the Board of Directors of a banking company justifying the rationale for re-estimating the useful lives of the fixed assets and changing the depreciation method from Reducing Balance Method to Straight Line Method. 4

13. An assets had a cost of Tk.1,00,000, an estimated useful life of 10 years and a residual value of Tk.18,000. At the start of year 3 a review shows its remaining useful life was unchanged but the residual value was reduced to nil. 4
Calculate the depreciation charge for each year 1 to 3 on the straight line basis.

14. PQR commenced trading on 1 January 2001. On that date he purchased a building for Tk.1,20,000 to be depreciated over 30 years with residual value. After five years trading on 1 January 2006 PQR concludes his building has a fair value of Tk.175,000. It still has a further 25 years of useful life remaining. 5
Give Journal entries for revaluation.

[Please turn over]

15. The balance sheet of Marcellus Ltd. at 31 December 20X1 is as follows:

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	Tk.
ASSETS	<u>40,000</u>
EQUITY AND LIABILITIES	
Ordinary Share Capital (80,000 shares @Tk.10 per share)	8,000
Share premium account	10,000
Retained earnings	<u>6,000</u>
Equity	24,000
Liabilities	<u>16,000</u>
Total equity and liabilities	<u>40,000</u>

The directors decided to make a 1 for 5 bonus issue. This will be followed by a 1 for 3 rights issue at Tk.32 per share.

Show the revised balance sheet of Marcellus Ltd. after both share issues have taken place.

16. On 1 January 20X8 Gwyn Food Stores had goods in inventory value at Tk.10,000. During 20X8 its owner purchased supplies costing Tk.50,000. Sales for the year to 31 December 20X8 was 80% of total stock amounted to Tk.62,000.

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Compute the amount of profit for that period.

17. At 1 April 20X8 a business had total outstanding debts of Tk.12,500. During the year to 31 March 20X9 the following transactions took place.

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- a) Credit sales Tk.46,000
- b) Payments from customers Tk.48,000
- c) Two debts, for Tk.280 and Tk.480, were declared irrecoverable and the customers are no longer purchasing goods from the company. These are to be written off.

Prepare the trade receivable account and the irrecoverable debts account for the year.

18. Annie is a sole trader who does not keep full accounting records. The following details relate to her transactions with credit customers and suppliers for the year ended 30 June 2009:

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	Taka
Trade receivables, 1 July 2008	130,000
Trade payables, 1 July 2008	60,000
Cash received from customers	686,400
Cash paid to suppliers	302,800
Discounts allowed	1,400
Discounts received	2,960
Contra between payable and receivables ledgers	2,000
Trade receivables, 30 June 2009	181,000
Trade payables, 30 June 2009	84,000

What figure should appear in Annie's income statement for the year ended 30 June 2009 for purchases.